



## **FY06 BUDGET RESOLUTION: CHALLENGES AND OPPORTUNITIES**

# **Economic Growth and Job Creation**

### **The President's Jobs and Economic Growth plan is working...**

The economy has expanded for 13 consecutive quarters. In 2004 the economy expanded by 4.4 percent, the fastest rate of growth since 1999. Twenty-one consecutive months of job gains have added more than 3 million new jobs to payrolls. Since the dividend and capital gains tax relief was signed into law, the combined market value of the NYSE and NASDAQ stock exchanges has increased 36 percent to \$17.5 trillion.

### **A growing economy is essential to meeting long-term budget goals...**

The economic downturn following the collapse of the tech markets and the September 11 attacks resulted in lost revenue anticipated between 2001 and 2010 of \$3.5 trillion. A strong economy means increased revenues, lower deficits and a healthier long-term budget outlook.

### ***THE FY06 BUDGET RESOLUTION:***

#### **Extends job-creating tax policy...**

Some provisions in the Jobs and Growth Tax Relief Reconciliation Act of 2003 will expire after 2008. Tax rates on capital gains would jump from 15 to 20 percent and taxes on corporate dividends would jump from 15 percent to as high as 35 percent. The budget provides for extending these tax cuts throughout the five-year budget and includes a reconciliation instruction allowing for quick consideration of \$70 billion in tax cuts.

#### **Rejects tax increases on small businesses...**

Tax incentives for small business owners to invest and expand are set to expire after 2007. Small businesses are an important component of the American economy, generating 40 percent of gross domestic product. The budget assumes these incentives continue throughout the five-year budget.

#### **Invests in higher education...**

Congress is set to re-authorize the Higher Education Act (HEA), which includes programs such as Pell Grants, federally subsidized student loans and work study grants. The budget includes a \$5.5 billion reserve fund to cover the new costs of HEA reauthorization initiatives to help low- and middle-income students to attend college and better prepare for the workforce.

#### **Provides an affordable and reliable national energy policy...**

America relies on volatile foreign sources for two-thirds of its oil. The budget reserves \$2 billion over five years for enactment of a national energy policy, assumes \$4.6 billion in associated tax incentives and assumes new receipts from opening ANWR to exploration and development.